DOCKET FILE COPY ORIGINAL

RECEIVED

SEP 17 1998

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington D.C. 20554

In the Matter of	)	
	)	
Access Charge Reform for	)	
Incumbent Local Exchange	)	
Carriers Subject to Rate-of-	)	CC Docket No. 98-77
Return Regulation	)	

REPLY COMMENTS OF ATU TELECOMMUNICATIONS

The Municipality of Anchorage d/b/a Anchorage Telephone Utility a/k/a ATU Telecommunications ("ATU") files these reply comments in response to the comments filed August 17, 1998, in the above referenced proceeding.

PRIMARY INTEREXCHANGE CARRIER CHARGE ("PICC")

General Communication, Inc. ("GCI") is once again trying to use the Commission's regulatory processes for its own competitive advantage. In its comments, GCI contends that, "[f]or purposes of assessing a correct PICCs [sic] on the end user, the Commission should require all ILECs to inform the interexchange carrier as to what type of line is being served...Not knowing the status of the line will cause the incorrect assessment to be made on the interexchange carrier."[1] GCI seeks information as to whether a line is a primary residential, second line residential or business line to assist it in marketing its local exchange service. ILECs have been accurately assessing access charges on IXCs for years without providing line detail information. The implementation of the PICC does not now create a need for IXCs to receive proprietary line information.

No. of Copies rec'd 0+1
List A B C D E

Moreover, many IXCs have calling plans and promotions whereby many of their long distance customers are already classified as residential or business in order to take advantage of these plans. ATU does not provide access minute-of-use information, per residential or business customer, to ensure appropriate residential or business classification on behalf of the IXC for billing purposes. Finally, billing detail information apparently does not influence the way some interexchange carriers pass on their current Price Cap LEC PICC charges. AT&T, for example, calculates the PICC charge it passes on to its customers by dividing its total PICC charges by the total number of lines presubscribed to AT&T. AT&T then assesses the same nationally averaged PICC "pass through" on all its customers, residential and business.[2]

PRESCRIPTIVE APPROACH TO ACCESS CHARGE REFORM

Both GCI and AT&T support a prescriptive approach to access reform. GCI believes that pricing flexibility should be earned and that the opportunity to recover costs is a luxury ROR LECs should not be granted. These IXCs tend to portray themselves as victims of access charges and impotent against the potential marketing tactics of ROR LECs. This is a grossly inaccurate characterization of this market. The strength and viability of GCI and AT&T as formidable corporate entities are obvious. In many ROR markets, these corporate entities will be competing with "mom and pop" telephone companies. To the extent their comments provide substantive suggestions to advance

[1] Comments of GCI at 5.

[2] This pass-through is assessed on all customers whether or not the local exchange carrier charges AT&T a PICC. In Alaska, for example, the majority of LECs are ROR and do not charge

meaningful competition in these markets, they should be welcomed. To the extent their suggestions try to impose unrealistic or unreasonable demands on local exchange carriers, they should be ignored.

For example, GCI states that the "Commission should not implement pricing flexibility for these ILECs until there is actual and real competition." [3] ILECs need pricing flexibility not only to compete with GCI and AT&T, but to rebalance rates to reflect network efficiencies in scope and scale and to require cost causers to support the costs they incur. This encourages economic competition rather than leaving a LEC vulnerable to competitors who can take advantage of existing rate inequities.

GCI contends that "the Commission should not mandate recovery of ILEC historical embedded costs"[4] and AT&T argues that "the Commission should now . . . reduce the rate-of-return LECs' authorized rate-of-return."[5] The Commission should provide all ILECs the opportunity to recover their investment. Competitive forces and pricing flexibility will put downward pressure on cost recovery and will increase investment risk. The Commission should not further handicap ROR companies by imposing rate structures that inherently prohibit companies from even having the opportunity to recover their investment. If the investments of ROR LECs are as unreasonable as the IXCs portray, then this should further stimulate market entrants and additional access opportunities.

AT&T a PICC. However, all AT&T customers, in Alaska, are being assessed AT&T's nationally averaged PICC pass-through charge.

[3] Comments of GCI at 6

[4] Comments of GCI at 7-8

INTEREXCHANGE RATE AVERAGING

IXCs seem to believe that because they are mandated to provide geographically averaged rates it is somehow unfair that they have to pay higher access rates in rural markets. GCI contends that "[d]ue to the averaging requirements, IXCs are disadvantaged in serving these areas due to their high access costs."[6] These concerns were addressed in the Commission's *Geographic Rate Averaging Order.*[7] In that proceeding, the Commission recognized there are investment differences between rural and high cost areas and urban areas, but nonetheless required IXCs to provide geographically averaged rates between subscribers in rural and high-cost areas and subscribers in urban areas. In that proceeding, the Commission also allowed pricing alternatives and a certain degree of pricing flexibility while still preserving the primary goal of averaging rates between the two types of study areas. Now GCI is advocating that the same conditions imposed on the urban areas (Price Cap) should be imposed on the generally more rural ROR companies. This

---

[5] Comments of AT&T at 6.

[6] Comments of GCI at 6.

[7] Policy and Rules Concerning the Interstate, Interexchange Marketplace; Implementation of Section 254(g) of the Communications Act of 1934, as amended, CC Docket No. 96-61, *Report and Order*, 11 FCC Rcd 9564 (1996).

inappropriately disregards the already documented cost differences between the two types of study areas.

Respectfully submitted,

ATU TELECOMMUNICATIONS

By: Ted Moninski/ac

Ted Moninski
Director, Regulatory Affairs
ATU Telecommunications
600 Telephone Avenue
Anchorage, Alaska 99503

September 17, 1998